

Message Text

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ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-03 NSC-05 /050 R

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK PRIORITY

AMCONSUL HONG KONG

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BANGKOK FOR US TEXTILE TEAM.

E.O. 11652: N/A

TAGS:ETRD, TH, HK

SUBJECT: HK/US TEXTILE CONSULATIONS.

REF: MANILA 12119, HONG KONG 9500, STATE 200868

1. ON AUGUST 13 OFFICIALS FROM STATE, COMMERCE AND LABOR MET WITH ALEC HERMANN OF THE UK EMBASSY REGARDING US REQUEST TO CEASE EXPORT AUTHORIZATIONS IN MEN AND BOYS' WOOL SUITS AND COTTON GLOVES. HERMANN DELIVERED AIDE MEMOIRE CONFIRMING HK INTENT TO BRING US REQUEST REGARDING SUITS TO TSB. ACCORDING TO AIDE MEMOIRE, HONG KONG BELIEVES THAT US HAS FAILED TO SHOW HK EXPORTS ARE CAUSING A REAL RISK OF MARKET DISRUPTION,
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BECAUSE OF HK'S SMALL MARKET SHARE AND RELATIVELY HIGH

PRICES. AIDE MEMOIRE ALSO STATED A RESTRAINT ON HONG KONG, WHILE A CONSIDERABLY LARGER VOLUME OF EXPORTS FROM OTHER SOURCES IS UNRESTRAINED, WOULD BE INEQUITABLE.

2. HERMANN CONFIRMED THAT HONG KONG GOVERNMENT UNDERSTOOD THAT US REQUEST WAS DIRECTED EXCLUSIVELY TO CURRENT AGREEMENT YEAR. HERMANN ALSO STATED THAT, CONTRARY TO REPORT RECEIVED FROM US CONGEN HK, PETER TSAO AS RECENTLY AS EVENING OF AUGUST 12 HAD CONFIRMED TO HIM BY PHONE THAT HK DID NOT WISH DISCUSS NUMBERS. RATHER,

HERMANN EMPHASIZED, HK MAINTAINS POSITION THAT IN PRINCIPAL RESTRAINT COULD NOT BE JUSTIFIED. ACCORDING TO HERMANN, HK HAD NOT YET NOTIFIED TSB OF ITS DESIRE TO RAISE ISSUE BUT THAT IT PLANNED TO DO SO IN ABOUT A WEEK.

3. DEVELOPMENTS REGARDING HK WERE DISCUSSED BY PHONE WITH US REPRESENTATIVE TO TSB. HE SAID THAT TSB SESSION ON THIS ISSUE - WOULD LIKELY RESULT IN UNPRODUCTIVE AND UNPERSUASIVE JUSTIFICATION BY BOTH COUNTRIES OF THEIR RESPECTIVE POSITIONS. HE NOTED THAT US POSITION WOULD BE STRENGTHENED BY OUR CLEAR EFFORT TO DEAL WITH OTHER UNCONTROLLED SUPPLIERS EVEN THOUGH FACTUAL UNCERTAINTIES AND LACK OF EXISTING CONTROL MECHANISM MIGHT DELAY OUTCOME OF APPROACHES TO OTHER COUNTRIES UNTIL AFTER TSB MEETING. ALSO AFFECTING CASE WOULD BE FACT THAT HK'S REFUSAL TO DISCUSS NUMBERS WOULD REDUCE IMPACT OF ANY ARGUMENTS THAT NUMBER OFFERED BY US WAS UNREASONABLE. ISSUE WILL HAVE LOST ITS TRADE IMPACT BY TIME OF TSB HEARING. HOWEVER, US REPRESENTATIVE, WHILE NOT ANXIOUS TO ENDURE DISAGREEABLE SESSION, CONCURRED THAT, IN ABSENCE OF INDICATION HK WILLING NEGOTIATE CEILING, US PROBABLY COULD NOT AVOID TSB REVIEW OF ISSUE.

4. US ADVISED HERMANN AT AUGUST 13 MEETING THAT IT WAS NOT PREPARED TO INCREASE COTTON GLOVE CEILING ABOVE 2.95 MILLION LEVEL IT WAS INCREASED TO FOLLOWING MOST RECENT INFORMATION ON EXPORT AUTHORIZATIONS LIMITED OFFICIAL USE

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ISSUED BY HONG KONG. ALTHOUGH HERMANN URGED THAT US INCREASE LEVEL TO 3.3 MILLION DOZEN GLOVES, US NOTED THAT HK SHARE OF US COTTON GLOVES IMPORT MARKET ALREADY EXCEEDED 50 PERCENT AND THAT FURTHER INCREASE WOULD BE UNWARRANTED IN TERMS OF US BILATERAL OBLIGATIONS TO HK AND WOULD AGGRAVATE POSSIBLE COMPLAINTS ABOUT LACK OF EQUITY FROM SMALLER SUPPLIERS, SOME OF WHICH HAVE QUOTAS SMALLER THAN THE ADDITIONAL AMOUNT REQUESTED

BY HK. ROBINSON

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